

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>MILAN TOWNSHIP</b>	County <b>MONROE</b>
Audit Date <b>3/31/05</b>	Opinion Date <b>11/17/05</b>	Date Accountant Report Submitted to State: <b>12/1/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

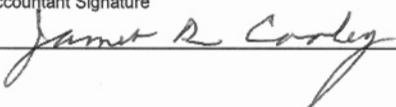
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>COOLEY HEHL WOHLGAMUTH &amp; CARLTON, CPAS, PLLC</b>			
Street Address <b>ONE SOUTH MONROE STREET</b>	City <b>MONROE</b>	State <b>MI</b>	ZIP <b>48161</b>
Accountant Signature 		Date <b>12/1/05</b>	

**MILAN TOWNSHIP**  
Monroe County, Michigan

ANNUAL FINANCIAL REPORT  
March 31, 2005

# MILAN TOWNSHIP

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Certified Public Accountants

### Independent Auditor's Report

Township Board  
Milan Township  
Milan, Michigan 48160

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Milan Township, Monroe County, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Milan Township, Monroe County, Michigan management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Milan Township, Monroe County, Michigan as of March 31, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 4 the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, Statement No. 38, *Certain Financial Statement Note Disclosures and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements* as of April 1, 2004. This results in a change in the format and content of the basic financial statements.

The management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 31 through 41, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Township Board  
Milan Township

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Milan Township, Monroe County, Michigan basic financial statements. The combining agency fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining agency fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Cooley Held*  
*Wohlgamuth & Carlton*

November 17, 2005

## MILAN TOWNSHIP

### *Management's Discussion and Analysis Year Ended March 31, 2005*

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As management of Milan Township, Monroe County, Michigan, we offer readers of the Township's financial statements this narrative overview and analysis of the governmental activities of the Township for the year ended March 31, 2005. This information should be taken into consideration before reading the Township's financial statements, which immediately follow this section. This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplementary information that presents all the Township's revenues and expenditures by program for the General Fund, Special Revenue Funds, and Capital Project Funds.

The Governmental Accounting Standards Board (GASB) adopted this report in *Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued June, 2000. Because this was the year of implementation certain comparative information (that is normally required) was not available because the Township does not have the resources to restate prior year financial statements in order to get the data. GASB Statement No. 34 permits the omission of comparative information for the first year of adoption of the new reporting model; accordingly, the Township has elected to exclude the information in this report. Subsequent reports will include the comparative information.

### **Financial Highlights**

- The assets of the Township exceeded its liabilities at the close of the most recent year by \$595,158 (net assets). Of this amount, \$335,840 (unrestricted net assets) may be used to meet the government's ongoing obligations to its' citizens and creditors.
- The government's total net assets increased by \$15,480.
- At the close of the year, the Township's governmental funds reported combined ending fund balances of \$447,733, an increase of \$11,721 in comparison with the prior year. Approximately 96 percent of this amount, or \$430,722 is available for spending at the government's discretion (unreserved fund balance).
- At the end of the year, the unreserved fund balance for the general fund was \$335,840 or 184 percent of total general fund expenditures.
- The Township does not have any bonded debt.

### **Overview of the Financial Statements**

This report is organized so that the reader can understand Milan Township financially as a whole. This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

### **Government-Wide Financial Statements**

The Government-Wide Financial Statements (on pages 10, 11 and 12), which appear first in the Township's financial statements, report information on the Township as a whole and its activities. These statements include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

## MILAN TOWNSHIP

### *Management's Discussion and Analysis* *Year Ended March 31, 2005*

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#### **Government-Wide Financial Statements (Concluded)**

The Statement of Net Assets presents information on all the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating. The Statement of Activities presents information showing how the government's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. The relationship between revenues and expenses indicates the Township's operating results. However, the Township's goal is to provide services to our residents, not to generate profits as commercial entities do. One must consider many other non financial factors, such as the quality of the services provided and the safety of the public to assess the overall health of the Township.

Both of the government-wide statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. These functions can be divided into the two following categories:

- Governmental activities -which encompass all the Township's services, including general government services, public safety, and public works. Property taxes, state grants, charges for services, and capital contributions finance most of these activities.
- Business-type activities. Currently the Township does not have any Business- type activities.

#### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State Law and by bond covenants. However the Township establishes most of its funds to control and manage money for particular purposes or to show that it is properly using revenues. All of the funds of the Township can be divided into two categories: Governmental funds and Fiduciary funds.

#### **Governmental funds**

All of the Township's governmental funds are used to account for the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. They are reported using the modified accrual method, which measures cash and all other financial assets that can be converted to cash. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliations are provided for the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances, on pages 15 and 18 respectively, to facilitate this comparison between governmental funds and governmental activities.

## **MILAN TOWNSHIP**

### *Management's Discussion and Analysis Year Ended March 31, 2005*

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#### **Fund Financial Statements (Concluded)**

##### **Governmental funds (Concluded)**

The Township maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, road improvements, bridge construction, fire and rescue, liquor law, street lighting, building, and capital projects funds. All of these governmental funds are considered to be and are presented as major funds.

The Township adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 13, 14, 16, and 17 of this report.

##### **Fiduciary funds**

Agency funds are used to account for assets held by the Township as an agent for the collection and disbursement of property taxes and escrow accounts. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own operations.

The only basic fund financial statement required to be reported for agency can be found on page 19 of this report.

##### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found on pages 20 through 30.

#### **Government-Wide Financial Analysis**

Recall that the Statement of Net Assets provides a long-term perspective of the Township's financial position. As indicated earlier and on Table 1 of the following page, assets exceeded liabilities by \$595,158 at the close of the most recent year.

The Township has \$2,050 invested in capital assets. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Normally Townships are required to report capital assets net of related debt; however, the Township does not have any debt.

As also depicted in Table 1, the Townships unrestricted net assets totaled \$335,840. This amount represents the accumulated results of all past years operations. The unrestricted net asset balance is used for working capital and cash flow needs as well as to provide for future uncertainties. It means that if we had to pay all of our bills off today, including all of our noncapital liabilities we could with our current resources. The operating results of the general fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the Township as a whole are reported in the Statement of Activities (Table 2), which shows the changes in net assets for the year ended March 31, 2005.



## MILAN TOWNSHIP

### *Management's Discussion and Analysis* *Year Ended March 31, 2005*

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**Table 1:**

#### **Condensed Statement of Net Assets** **March 31, 2005**

	<u>Governmental Activities</u>
Current assets	\$487,553
Capital and other noncurrent assets, net	<u>147,425</u>
<b>Total Assets</b>	634,978
Current and other liabilities	<u>39,820</u>
<b>Total Liabilities</b>	<u>39,820</u>
Net Assets	
Invested in capital assets	2,050
Invested in joint venture	145,375
Restricted for:	
Road improvements	46,810
Bridge construction	7,329
Fire and rescue	38,517
Liquor law enforcement	319
Street lighting	4,991
Building code enforcement	(3,084)
Capital projects	17,011
Unrestricted	<u>335,840</u>
<b>Total Net Assets</b>	<u><u>\$595,158</u></u>

With the exception for the Building Fund, at the end of the year, the Township is able to report positive balances in net assets, both for the government as a whole, as well as for its separate governmental activities.

The government's net assets increased by \$15,480 during the year ended March 31, 2005. This increase is primarily attributable to an agreement reached with Holcim, Inc. regarding its connection to the back fees for the sale of crushed stone outside of the Quarry.

As indicated in Table 2, the cost of all governmental activities this year was \$379,859. Of this amount \$78,461 was subsidized with revenue generated from charges for services with the remaining costs financed with local contributions and general revenues.

The Township experienced an increase in net assets of governmental activities of \$15,480. However, a significant amount of land has been annexed by the City of Milan. This factor will have a significant negative impact on the increase in net assets for governmental activities in the future due to lower tax collections.

## MILAN TOWNSHIP

### *Management's Discussion and Analysis* *Year Ended March 31, 2005*

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**Table 2:**

#### **Changes in Net Assets** **Year Ended March 31, 2005**

	<u>Governmental Activities</u>
<b>Revenues</b>	
Program revenues:	
Charges for services	\$ 78,461
Operating grants and contribution	<u>8,940</u>
	87,401
General revenues:	
Property taxes	177,938
State grants (revenue sharing)	121,481
Other	<u>8,519</u>
	<u>307,938</u>
Total Revenues	395,339
<b>Function/Program Expenses</b>	
Legislative	41,557
General government	94,064
Public safety	104,097
Public works	110,587
Community and economic development	10,993
Other functions	<u>18,561</u>
Total Expenses	<u>379,859</u>
<b>Increase in Net Assets</b>	<u>\$ 15,480</u>

#### **Fund Financial Analysis**

As noted earlier, the Township uses funds to help control and manage money for specific purposes. Looking at funds helps the reader consider whether Milan Township is being held accountable for resources taxpayers and others provide to it and may give more insight into the Township's overall financial health.

As the Township completed this year, governmental funds reported a combined balance of \$447,733, which is an increase of \$11,721 from last year. The changes by fund, of which all were considered major funds, are as follows:

# MILAN TOWNSHIP

## Management's Discussion and Analysis Year Ended March 31, 2005

### Fund Financial Analysis (Concluded)

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<b>Fund balances - Beginning of year</b>	\$251,911	\$167,325	\$16,776	\$436,012
Increase (decrease)	<u>83,929</u>	<u>(72,443)</u>	<u>235</u>	<u>11,721</u>
<b>Fund balances - End of year</b>	<u>\$335,840</u>	<u>\$ 94,882</u>	<u>\$17,011</u>	<u>\$447,733</u>

The Township's General Fund balance increase is due to many factors. The tables that follow assist in illustrating the financial activities of the General Fund.

	<u>March 31, 2005</u>	<u>March 31, 2004</u>	<u>Percent Change</u>
<b>Revenues</b>			
Property taxes	\$ 68,349	\$ 64,831	5.43%
Licenses and permits	53,837	850	6,233.38
State revenue sharing	120,785	121,985	(.98)
Charges for services	13,021	3,030	329.74
Interest and rentals	3,197	2,151	48.63
Other	<u>9,431</u>	<u>921</u>	<u>924.00</u>
	<u>\$268,620</u>	<u>\$193,768</u>	<u>38.63%</u>

	<u>March 31, 2005</u>	<u>March 31, 2004</u>	<u>Percent Change</u>
<b>Expenditures</b>			
Legislative	\$ 41,557	\$ 9,071	358.13%
General government	94,064	117,740	(20.11)
Public works	17,623	28,634	(38.45)
Community and economic development	10,993	23,153	(52.52)
Other functions	<u>18,561</u>	<u>25,991</u>	<u>(28.59)</u>
	<u>\$182,798</u>	<u>\$204,589</u>	<u>(10.65)%</u>

## **MILAN TOWNSHIP**

### *Management's Discussion and Analysis Year Ended March 31, 2005*

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#### **General Fund Budgetary Highlights**

The Uniform Budget Act of the State of Michigan requires the Township Board to adopt the original budget prior to April 1, the start of the fiscal year. Over the course of the year the Township reviewed its budget but did not amend or revise it for any unexpected changes in revenues or expenditures. State law requires that the budget be amended to ensure that the expenditures do not exceed appropriations. A schedule illustrating the Township's original and final budget amounts compared with amounts actually paid and received is provided in the required supplementary information of these statements. As already mentioned, there were no revisions to the budget during the fiscal year ended March 31, 2005.

#### **Capital Assets**

As of March 31, 2005, the Township had \$2,050 invested in a broad range of capital assets, including land, building and improvements, machinery and equipment. At the end of the year the Board approved construction of improvements to the Township hall. Equipment purchases included a new computer for the new Township Clerk that was not added to capital assets due to the Township's capitalization policy. No new debt was issued for these additions. Depreciation this year totaled \$0 for governmental activities due to the fact that all of the governments existing assets are considered fully depreciated. Details regarding capital assets is included in Note 2 and 8 to the financial statements.

#### **Development of the 2005 Fiscal Year Budget**

Our elected officials considered many factors when setting the Township's 2005 fiscal year budget. Based primarily on the last fiscal year's spending patterns, thought is also given to factors affecting the budget, like decreased revenue sharing from the state since it accounts for over half of our general fund revenues. The Township has taken several measures to help control the rising costs of governmental services (including fire protection which is funded through a special millage passed by Township residents). We will continue to watch our budget closely as we continue to upgrade our public safety programs and roads using money received from property taxes and self help funds, for roads and bridges, received from the county.

#### **Economic Factors**

During the fiscal year ended March 31, 2005, the Township contracted with several consultants to develop a master plan for developing its rural areas. The Township has negotiated with a developer with plans for 600 homes and its own water and sewage treatment plant. The Company would also contribute \$200,000 for the construction of a new Township hall, up to \$85,000 for legal and consulting fees, \$27,000 for ordinance and inspection programs, and \$125,000 for a major traffic study. We are very pleased that we have resolved the land use issues related to these two developments of 240 acres and 86 acres.

#### **Contacting the Township of Milan**

This financial report is designed to provide the Township's citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances to demonstrate its accountability for the money it receives. If you have any questions about this report or any of its information, contact the Milan Township Clerk, 16444 Cone Road, Milan, MI 48160. Our phone number is (734) 439-1707.

# MILAN TOWNSHIP

## Statement of Net Assets March 31, 2005

	Governmental Activities
<b>ASSETS</b>	
<b>Current assets</b>	
Cash and certificates of deposit	\$454,554
Receivables:	
Taxes	14,976
Special Assessments	388
Due from other governments	17,635
Total Current Assets	487,553
<b>Noncurrent assets</b>	
Investment in joint venture	145,375
Capital assets:	
Nondepreciated	2,050
Depreciated (net)	0
Total Non Current Assets	147,425
Total Assets	\$634,978

See accompanying notes to the basic financial statements

	Governmental Activities
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Accounts payable	\$39,606
Other liabilities	214
Total Liabilities	39,820
<b>NET ASSETS</b>	
Invested in capital assets net of related debt	2,050
Invested in joint venture	145,375
Restricted for:	
Road improvements	46,810
Bridge construction	7,329
Fire and rescue	38,517
Liquor law enforcement	319
Street lighting	4,991
Building code enforcement	(3,084)
Capital projects	17,011
Unrestricted	335,840
Total Net Assets	595,158
Total Liabilities and Net Assets	\$634,978

# MILAN TOWNSHIP

## Statement of Activities Year Ended March 31, 2005

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>Primary Government</b>				
Governmental Activities:				
Legislative	\$41,557	\$0	\$0	(\$41,557)
General government	94,064	13,021	8,940	(\$72,103)
Public safety	104,097	11,603	0	(\$92,494)
Public works	110,587	53,837	0	(\$56,750)
Community and economic development	10,993	0	0	(\$10,993)
Other functions	18,561	0	0	(\$18,561)
<b>Total Governmental Activities</b>	<b>379,859</b>	<b>78,461</b>	<b>8,940</b>	<b>(292,458)</b>
General revenues:				
Taxes				
Property taxes				\$177,938
Grants and contributions not restricted:				
Revenue Sharing				121,481
Interest				4,269
Change in joint venture				3,759
Other				491
<b>Total General Revenues and Transfers</b>				<b>307,938</b>
<b>Change in net assets</b>				<b>15,480</b>
Net Assets - Beginning of year				579,678
Net Assets - End of year				<u><u>\$595,158</u></u>

See accompanying notes to the basic financial statements

**MILAN TOWNSHIP***Governmental Funds  
Balance Sheet  
March 31, 2005*

	General Fund	Road Improvement Fund	Bridge Construction Fund
<b>Assets</b>			
Cash and certificates of deposit	\$296,384	\$57,326	\$7,329
Receivables:			
Taxes	5,667	3,490	0
Special assessments	0	0	0
Due from other funds	23,708	0	0
Due from other governments	17,635	0	0
<b>Total Assets</b>	<b>\$343,394</b>	<b>\$60,816</b>	<b>\$7,329</b>
<b>Liabilities</b>			
Accounts payable	\$7,340	\$0	\$0
Due to other funds	0	14,006	0
Other liabilities	214	0	0
<b>Total Liabilities</b>	<b>7,554</b>	<b>14,006</b>	<b>0</b>
<b>Fund Balance</b>			
Reserved for capital improvements	0	0	0
Unreserved - reported in:			
General Fund	335,840	0	0
Special Revenue Funds	0	46,810	7,329
<b>Total Fund Balances</b>	<b>335,840</b>	<b>46,810</b>	<b>7,329</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$343,394</b>	<b>\$60,816</b>	<b>\$7,329</b>

See accompanying notes to the basic financial statements



Fire and Rescue Fund	Liquor Law Fund	Street Lighting Fund	Building Fund	Capital Projects Fund	Total Governmental Funds
\$74,666	\$319	\$4,603	(\$3,084)	\$17,011	\$454,554
5,819	0	0	0	0	14,976
0	0	388	0	0	388
0	0	0	0	0	23,708
0	0	0	0	0	17,635
<u>\$80,485</u>	<u>\$319</u>	<u>\$4,991</u>	<u>(\$3,084)</u>	<u>\$17,011</u>	<u>\$511,261</u>
\$32,266	\$0	\$0	\$0	\$0	\$39,606
9,702	0	0	0	0	23,708
0	0	0	0	0	214
41,968	0	0	0	0	63,528
0	0	0	0	17,011	17,011
0	0	0	0	0	335,840
38,517	319	4,991	(3,084)	0	94,882
38,517	319	4,991	(3,084)	17,011	447,733
<u>\$80,485</u>	<u>\$319</u>	<u>\$4,991</u>	<u>(\$3,084)</u>	<u>\$17,011</u>	<u>\$511,261</u>

## MILAN TOWNSHIP

*Reconciliation of the Balance Sheet of Governmental  
Funds to the Statement of Net Assets  
Year Ended March 31, 2005*

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**Total Fund Balances - Governmental Funds** \$447,733

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental noncurrent assets	\$32,087	
Less accumulated depreciation	<u>(30,037)</u>	2,050

Investment in Milan Area Fire Department joint venture is not a financial resource and is not reported in the funds.	<u>145,375</u>
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**Total Net Assets - Governmental Activities** \$595,158

See accompanying notes to the basic financial statements

# MILAN TOWNSHIP

*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*Year Ended March 31, 2005*

	General Fund	Road Improvement Fund	Bridge Construction Fund
<b>Revenues:</b>			
Taxes	\$68,349	\$39,700	\$0
Licenses and permits	53,837	0	0
State Grants	120,785	0	0
Contributions from local units	8,940	0	0
Charges for services	13,021	0	0
Interest	3,197	496	28
Other revenues	491	0	0
	<hr/>	<hr/>	<hr/>
Total Revenues	268,620	40,196	28
	<hr/>	<hr/>	<hr/>
<b>Expenditures:</b>			
Legislative	41,557	0	0
General government	94,064	0	0
Public safety	0	0	0
Public works	17,623	88,613	0
Community and economic development	10,993	0	0
Other functions	18,561	0	0
	<hr/>	<hr/>	<hr/>
Total Expenditures	182,798	88,613	0
	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues over Expenditures	85,822	(48,417)	28
	<hr/>	<hr/>	<hr/>
<b>Other Financing Sources (Uses):</b>			
Operating transfers in	0	1,893	0
Operating transfers (out)	(1,893)	0	0
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	(1,893)	1,893	0
	<hr/>	<hr/>	<hr/>
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	83,929	(46,524)	28
	<hr/>	<hr/>	<hr/>
Fund Balances - Beginning of Year	251,911	93,334	7,301
	<hr/>	<hr/>	<hr/>
Fund Balances - End of Year	\$335,840	\$46,810	\$7,329
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to the basic financial statements

Fire and Rescue Fund	Liquor Law Fund	Street Lighting Fund	Building Fund	Capital Projects Fund	Total Governmental Funds
\$66,182	\$0	\$0	\$0	\$0	\$174,231
0	0	0	11,603	0	65,440
0	696	0	0	0	121,481
0	0	0	0	0	8,940
0	0	0	0	0	13,021
313	0	0	0	235	4,269
0	0	3,707	0	0	4,198
<u>66,495</u>	<u>696</u>	<u>3,707</u>	<u>11,603</u>	<u>235</u>	<u>391,580</u>
0	0	0	0	0	41,557
0	0	0	0	0	94,064
89,225	710	0	14,162	0	104,097
0	0	4,351	0	0	110,587
0	0	0	0	0	10,993
0	0	0	0	0	18,561
<u>89,225</u>	<u>710</u>	<u>4,351</u>	<u>14,162</u>	<u>0</u>	<u>379,859</u>
(22,730)	(14)	(644)	(2,559)	235	11,721
0	0	0	0	0	1,893
0	0	0	0	0	(1,893)
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,893)</u>
(22,730)	(14)	(644)	(2,559)	235	11,721
<u>61,247</u>	<u>333</u>	<u>5,635</u>	<u>(525)</u>	<u>16,776</u>	<u>436,012</u>
<u>\$38,517</u>	<u>\$319</u>	<u>\$4,991</u>	<u>(\$3,084)</u>	<u>\$17,011</u>	<u>\$447,733</u>

## MILAN TOWNSHIP

*Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the Statement of Activities  
Year Ended March 31, 2005*

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<b>Net Change in Fund Balances - Total Governmental Funds</b>			<b>\$11,721</b>
Amounts reported for governmental activities in the Statement of Net Assets are different because:			
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:			
Expenditures for capital assets		\$0	
Less current year depreciation		<u>0</u>	0
Change in Milan Area Fire Department joint venture equity interest is not a financial resource and is not reported in the governmental funds.			3,759
<b>Change in Net Assets of Governmental Activities</b>			<u><u>\$15,480</u></u>

See accompanying notes to the basic financial statements

**MILAN TOWNSHIP**

*Statement of Assets and Liabilities*  
*Agency Funds*  
*March 31, 2005*

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	Total Agency Funds
<b>ASSETS</b>	
Cash in bank	<u>\$1,231</u>
Total Assets	<u><u>\$1,231</u></u>
<b>LIABILITIES</b>	
Due to other governments	<u>\$1,231</u>
Total Liabilities	<u><u>\$1,231</u></u>

See accompanying notes to the basic financial statements

## MILAN TOWNSHIP

### *Notes to Financial Statements Year Ended March 31, 2005*

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#### Note 1      Description of the Township and Reporting Entity

The Township operates under a locally elected five member Board form of government. The Township provides the following services: public safety (fire protection), road construction, cemetery care, public improvements, planning and zoning, construction code inspections, and general administrative services.

Component units are legally separate organizations for which the Township is financially accountable. Component units may also include organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt, or the levying of taxes. The Township has no component units.

#### Reporting Entity

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 "*The Financial Reporting Entity*", these financial statements present the Milan Township (the primary government). The criteria established by the GASB for determining the reporting entity includes fiscal dependency and whether the financial statements would be misleading if the data were not included.

The following entity is a joint venture which is not included with the governmental fund financial statements but is included as a governmental activity in the government-wide financial statements.

#### MILAN AREA FIRE DEPARTMENT

On July 1, 1980 an agreement was made by and between the City of Milan and the Townships of Milan, London and York to establish the Milan Area Fire Department. This agreement was amended effectively July 1, 1990 and will remain in full force and effect until June 30, 2000 at which time the contract was extended until June 30, 2003. Effective January 1, 2003, this agreement was replaced with an agreement intended to remain in full force and effect to June 30, 2007. The department provides fire protection services and operates under the control of an executive committee consisting of the chief executive of each of the participating units with one additional member of the governing body from each unit. The cost of maintaining the fire department is paid for by the aforementioned parties on the basis of percentages which are calculated on the basis of State Equalized Value (60%), service area - in acres (5%), population as determined by latest decennial census (10%), miles of roads (5%), and dwelling units, commercial units, industries, schools, and churches (10%). The percentage is calculated annually. Milan Area Fire Department is audited annually as a separate local unit of government. Separate financial statements may be obtained from Milan Township.

The following is a summary of the amounts paid to the Milan Area Fire Department as reported on the financial audit dated June 30, 2004:

<u>Unit</u>	<u>Percentages</u>	<u>Payments</u>
City of Milan	44.33%	\$108,600
Milan Township	16.77%	49,944
London Township	13.36%	39,131
York Township	25.54%	67,982

Since the inception of the Milan Area Fire Department, separate capital accounts have been maintained reflecting the percentage of ownership of the personal property and funds of the fire department held by each party. Said capital accounts shall be maintained as before and, when new equipment is purchased or cash assets accrued, each party shall have credited to its capital account the percentage of the purchase price of such equipment or cash accrued, in effect during the year of purchase or accrual.

## MILAN TOWNSHIP

### *Notes to Financial Statements Year Ended March 31, 2005*

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- Note 1      Description of the Township and Reporting Entity (Concluded)  
As of June 30, 2004, the amounts reserved are as follows:

<u>Unit</u>	<u>Invested in Capital Assets</u>	<u>Restricted for Capital Improvements</u>
City of Milan	\$200,080	\$138,847
Milan Township	85,992	59,383
London Township	118,986	82,270
York Township	<u>71,560</u>	49,634
Total Assets of Fire Department	<u>\$476,618</u>	<u>\$330,134</u>

These capital account balances were used to present Milan Township's investment in this joint venture in the amount of \$145,375 as of March 31, 2005.

- Note 2      Summary of Significant Accounting Policies

The financial statements of Milan Township have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Township also applies Financial Accounting Standards (FASB) statements and interpretations issued on or before November 30, 1989, to its Governmental activities provided they do not conflict with or contradict GASB pronouncements. The following are more significant of the Township's accounting policies.

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. As a general rule, the effect of inter-fund activity has been removed from these statements. Governmental activities which normally are supported by general government revenues (i.e., property taxes, revenue sharing, fines, permits, and charges) and intergovernmental revenues are reported separately from business-type activities which rely, to a significant extent on fees and charges for support. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by the related program revenues, operating and capital grants. *Direct expenses* are those that are clearly identifiable with a specific function or business-type activity. *Program revenues* must be directly associated with the function or business-type activity. Program revenues include 1) fines and forfeitures, licenses and permits fees, special assessments, and charges for services and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Separate financial statements are provided for governmental funds, and agency funds, even though the latter are excluded from the fund financial statements. Individual major governmental funds are reported as separate columns in the fund financial statements. The Township did not present any nonmajor governmental funds.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements (statement of net assets and statement of activities) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.



## MILAN TOWNSHIP

### *Notes to Financial Statements Year Ended March 31, 2005*

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#### Note 2

#### Summary of Significant Accounting Policies (Continued)

##### B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all the eligibility requirements imposed by the provider have been met.

#### Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to claims and judgments, are recorded only when payment is due.

On the governmental fund statements, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then use unrestricted resources as they are needed.

Agency fund statements also are reported using the economic resources measurement focus and the cash basis of accounting.

The basic financial statements include both government-wide (based in the Township as a whole) and fund financial statements. While the previous model emphasized Fund types (the total of all funds of a particular type), in the new reporting model the focus is on either the Township as a whole or major individual funds (within the individual fund financial statements). Both the government-wide and fund financial statements categorize activities as governmental activities.

In the government-wide Statement of Net Assets, the governmental activities columns (a) are presented on a consolidated basis and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term and obligations.

The Township has elected to treat all of its funds as major funds and accordingly, reports them all in the fund financial statements.

The Township reports the following major governmental funds:

#### General Fund

The General Fund is the primary operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

## MILAN TOWNSHIP

### *Notes to Financial Statements Year Ended March 31, 2005*

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#### Note 2

#### Summary of Significant Accounting Policies (Continued)

##### B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Concluded)

###### Road Improvement Fund

The Road Improvement Fund is used to account for the Township's tax collections used for the maintenance and improvement of roads.

###### Bridge Construction Fund

The Bridge Construction Fund is used to account for the accumulation of resources used to replace or construct bridges in the Township.

###### Fire and Rescue Fund

The Fire and Rescue Fund accounts for revenue from the Township's tax collections to be used for fire protection and investment in the Milan Area Fire Department.

###### Liquor Law Fund

The Liquor Law Fund is used to account for revenue from returnable license fees used for the enforcement of liquor control commission codes.

###### Street Lighting Fund

The Street Lighting Fund is used to account for revenue from the Township's special assessments to be used for utility charges in the operation of the Township's streetlights.

###### Building Department Fund

The Building Department Fund is used to account for all revenues collected from building, mechanical, electrical, and plumbing permit fees that are restricted to enforcement of the Township's construction ordinances.

###### Capital Projects Fund

The Capital Projects Fund is used to account for the accumulation of resources to be used in the acquisition or construction of major capital facilities other than those financed by any of the previously mentioned funds. The only capital project fund maintained by the Township is the Township Hall Renovation Fund.

In accordance with GASB Statement 20 the Township has elected not to apply FASB statements and interpretations issued after November 30, 1989, to its financial statements.

Additionally, the Township reports the following fund types:

###### Agency Funds

Agency Funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. These funds are reported in the fund financial statements only because they do not report resources under the control of the Township. The fund is custodial in nature (assets equal liabilities) and does not involve the measurement results of operations.

##### C. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Township to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

## MILAN TOWNSHIP

### *Notes to Financial Statements Year Ended March 31, 2005*

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#### Note 2      Summary of Significant Accounting Policies (Continued)

##### C. Use of Estimates (Concluded)

Actual results could differ from those estimates

##### D. Assets, Liabilities, and Net Assets

###### Cash and Cash Equivalents

Cash and cash equivalents include cash and money management accounts, cash with fiscal agent, petty cash and short-term investments with a maturity of three months or less when acquired.

###### Property Tax Receivable

Property taxes are assessed as of December 31 and the related property taxes become a lien on July 1 and December 1 of the following year. Summer taxes are considered delinquent September 15 and winter taxes are considered delinquent February 14 of the following year.

###### Due From Other Governments

Amounts due from other governments include amounts due from grantors for specific program and capital projects. Program grants and capital grants for fixed assets are recorded as receivables and revenues at the time the reimbursable project costs are incurred. Revenues received in advance of the project costs being incurred as deferred.

###### Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, sidewalks and similar items) are reported in the applicable governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements. Capital assets are defined by the government as assets with an initial individual cost of at least \$2,000 and an estimated useful life in excess of two years. These assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of the normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phases of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Depreciation of all exhaustible capital assets used by the Township is charged as an expense against its various functions. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

	<u>Years</u>
Land improvements	15
Building and building improvements	15-75
Voting equipment	5-20
Township office equipment	5-10

###### Interfund Balances

On the fund financial statements, receivables and payables resulting from short term interfund loans are classified as "due to/from other funds". These amounts are eliminated in the governmental activities column of the statement of net assets.

## MILAN TOWNSHIP

### *Notes to Financial Statements Year Ended March 31, 2005*

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#### Note 2      Summary of Significant Accounting Policies (Concluded)

##### D. Assets, Liabilities, and Net Assets (Concluded)

###### Accrued Liabilities and Long-Term Obligations

In the government-wide financial statements, long term debt, notes, and other obligations (if any) are reported as liabilities in the applicable governmental activities column in the statement of net assets.

In general, payables and accrued liabilities that once incurred, are paid in a timely manner, and in full from current financial resources, are reported as obligations of the funds. However, claims and judgements, that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Payments of long-term loans that are paid from governmental funds, are recognized as an expenditure on the governmental fund financial statements when due.

###### Compensated Absences

The Township does not have a policy of providing employees with vacation or sick pay.

###### Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets and capacity, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

Interfund Transactions - Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources (uses) in the governmental funds. Repayments from funds responsible for particular expenditures to the fund that initially paid for them are not presented on the financial statements.

#### Note 3      Stewardship, Compliance, and Accountability

##### Budget Policy and Budgetary Accounting

The budgetary process is prescribed by the provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The General Fund and all Special Revenue Funds are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Township Board at the function level. Any budgetary modifications may only be made by resolution of the Township Board.

Budgetary comparison schedules are required to be presented as Required Supplementary Information for the general fund and each major special revenue fund for which an annual budget has been adopted. Under the new reporting model GASB Statement No. 34 the following information is to be reported:

- Original Budget
- Final Budget
- Actual inflows, outflows and balances on a budgetary basis

The Township has presented the general fund and special revenue funds in the Budgetary Comparison Schedules as Required Supplementary Information.

## MILAN TOWNSHIP

### *Notes to Financial Statements Year Ended March 31, 2005*

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#### Note 3      Stewardship, Compliance, and Accountability (Concluded) Budget Policy and Budgetary Accounting (Concluded)

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund, all Special Revenue Funds, and the Capital Projects Fund. The legal level of budgetary control is the department level. All unexpended appropriations lapse at fiscal year end. The Township does not utilize encumbrance accounting.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Township supervisor submits to the board of trustees a proposed operating budget for the fiscal year beginning April 1.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to March 31 the budget is legally enacted through a board resolution.
4. Any revisions of the budget must be approved by a board resolution.
5. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
6. Budgeted amounts are as originally adopted, or as amended by the Township Board. There were no individual amendments in relation to the original appropriation.
7. Lapsing of Appropriations - At the close of each year, all unspent appropriations revert to the respective funds from which they were appropriated and become subject to future appropriations.

In the required supplemental information, the Township's actual expenditures and budgeted expenditures for budgetary funds have been shown on an activities basis, which is the adopted level of control. For the year ended March 31, 2005, expenditures exceeded final budgeted amounts in the following funds:

	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Variance</u>
Street lighting fund	\$ 4,000	\$ 4,351	\$ (351)
Road improvements fund	-	88,613	(88,613)
Fire and rescue fund	70,000	89,225	(19,225)
Liquor law	660	710	(50)

#### Note 4      Change in Accounting Principles and Restatement of Fund Balance Change in Accounting Principles

As of and for the year ended March 31, 2005, the Township implemented the following Governmental Accounting Standards Board Pronouncements:

##### Statements

No. 33 - *Accounting and Financial Reporting for Nonexchange Transactions*

No. 34 - *Basic Financial Statements and Management's Discussion and Analysis for  
State and Local Governments*

No. 36 - *Recipient Reporting for Certain Shared Nonexchange Revenues - An Amendment  
of GASB No. 33*

## MILAN TOWNSHIP

### *Notes to Financial Statements Year Ended March 31, 2005*

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Note 4      Change in Accounting Principles and Restatement of Fund Balance (Concluded)  
Change in Accounting Principles (Concluded)

No. 37 - *Basic Financial Statements and Management's Discussion and Analysis - for  
State and Local Governments; Omnibus*  
No. 38 - *Certain Financial Statement Note Disclosures*

The more significant of the changes required by the new standards include:

Basic financial statements that include:

Government-Wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;

Notes to the basic financial statements

GASB Interpretation No. 6 clarifies the application of standard for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

Restatement of Fund Balance to Net Assets

The restatements for GASB Statement No. 34 had the following effects on the transition from governmental fund balance to net assets of governmental activities.

*Government-Wide financial statements.* Beginning net assets for governmental activities was determined as follows:

Fund balance of the General Fund as of March 31, 2004	\$251,911
Fund balance of Special Revenue Fund as of March 31, 2004	167,325
Fund balance of Capital Project Fund as of March 31, 2004	16,776
GASB 34 Adjustments:	
Investment in joint venture	141,616
Capital assets, net of depreciation	<u>2,050</u>
Governmental Net Assets, restated, as of April 1, 2004	<u>\$579,678</u>

Note 5      Deposits

Statutes authorize the Township to invest in obligations of the U.S. Treasury, agencies and instrumentalities; commercial paper within the three highest rate classifications by at least two rating services; bankers' acceptances of U.S. Banks, U.S. or agency repurchase agreements; savings accounts and certificates of deposit with banks and savings and loan associations, or credit unions which are insured with the applicable federal agency. Public funds may not be deposited in financial institutions located in states other than Michigan.

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, and since State of Michigan legislation does not require that all deposits be collateralized, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk at each institution; only those institutions with an acceptable estimated risk level are used as depositories.

## MILAN TOWNSHIP

### *Notes to Financial Statements Year Ended March 31, 2005*

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#### Note 5

##### Deposits (Concluded)

The Milan Township Board has adopted an investment policy and has authorized six depositories: Monroe Bank & Trust, United Bank & Trust, Republic Bank, Key Bank, Sky Bank, and Bank One.

*Interest rate risk.* The Township's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit risk.* The Township will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities listed in the Township's investment policy.

*Concentration of credit risk.* The Township does have limits on the amount the Township may deposit in any one issuer. The Township adheres to the following three criteria in making investment decisions:

*Safety:* Safety of principal is the foremost objective of the Township's investment practices. The Township shall be diversified by avoiding over concentration in securities from a specific issuer or business sector (excluding U. S. Treasury securities and insured certificates of deposit).

*Liquidity:* The investment policy requires the investments to remain sufficiently liquid to meet all of the operating requirements that may be reasonably anticipated.

*Return on Investment:* Return on investment is of secondary importance compared to safety and liquidity criteria. Investments shall be selected to obtain a market average rate of return. The core of investments is limited to relatively low MSK securities.

*Custodial credit risk.* Custodial credit risk for deposits is the risk that in the event of a bank failure, the Township's deposits may not be returned or the Township will not be able to recover the collateral securities in the possession of an outside party. The Township has \$593,283 invested in certificates of deposits, checking accounts, savings accounts, and money markets. The Township's deposits are insured by the FDIC in the amount of \$461,279, with uninsured deposits of \$132,005. The Township's deposits are at institutions with an established record of fiscal health and service. The Township board approves and designates a list of authorized depository institutions. The Township's policy does not address deposit risk.

*Foreign currency risk.* The Township is not authorized to invest in investments which have this type of risk.

#### Note 6

##### Interfund Payables and Receivables

Such balances as of March 31, 2005 were:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund		
Road improvements fund	\$14,006	\$ -
Fire and rescue fund	9,702	-
Road improvements fund		
General fund	-	14,006
Fire and rescue fund		
General fund	-	9,702
	<u>\$23,708</u>	<u>\$23,708</u>

## MILAN TOWNSHIP

### *Notes to Financial Statements Year Ended March 31, 2005*

#### Note 7      Interfund Transfers

Interfund transfers for the year ended March 31, 2005, consisted of the following:

There was a transfer from the General Fund to the Road Fund during the year in the amount of \$1,893 to cover miscellaneous costs.

#### Note 8      Capital Assets

Capital asset activity for the fiscal year ended March 31, 2005 was as follows:

	Balance <u>April 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>March 31, 2005</u>
Governmental Activities:				
Assets not being depreciated:				
Land	\$2,050	\$0	\$0	\$2,050
Capital assets being depreciated:				
Buildings	23,206	0	0	23,206
Voting equipment	<u>6,831</u>	<u>0</u>	<u>0</u>	<u>30,046</u>
Totals capital assets	32,087	0	0	32,087
Less accumulated depreciation:				
Buildings	23,206	0	0	23,206
Voting equipment	<u>6,831</u>	<u>0</u>	<u>0</u>	<u>6,831</u>
Total accumulated depreciation	<u>30,037</u>	<u>0</u>	<u>0</u>	<u>30,037</u>
Net capital assets	<u>\$2,050</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,050</u>

There was no depreciation expense charged to the governmental functions because all of the governments assets are fully depreciated.

#### Note 9      Property Taxes

The Township bills and collects its own property tax and also taxes for the county of Monroe, Dundee Community Schools, Milan Area Schools, Monroe County Community College, Monroe Intermediate School District, Washtenaw Intermediate School District, Lenawee Intermediate School District, and Britton-Macon Area Schools.

The Township levied 0.8457 mills for general operating, 1.1402 mills for fire and rescue, and 0.6840 mills for road improvements for the 2004-2005 fiscal year on December 1, 2004 on assessed valuation as of December 31, 2003. The taxes are due and payable by February 14, 2005. Taxable values which amounted to \$57,979,489 represent a percentage of the fair market value of the assessed properties on December 31, 2003.

As of March 31, 2005, delinquent taxes of \$5,667 are reflected as a receivable in the general fund.



## MILAN TOWNSHIP

### *Notes to Financial Statements Year Ended March 31, 2005*

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Note 10     Michigan Unemployment

On May 16, 1974, Governor Milliken signed into law enrolled Senate Bill 741, which is known as Act No. 104 of the Public Acts of 1974. The provisions of this act subject political subdivisions to the Michigan Employment Security Act effective January 1, 1975. Milan Township has elected to make reimbursement payments rather than pay contributions as a contributing employer.

Note 11     Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workman's compensation). The Township has purchased commercial insurance for property loss, torts, errors, omissions, and employee injuries.

Note 12     Related Party Transactions

As indicated in Note 1, the Township is involved in a joint venture. During the year, the Township contributed \$89,218, for fire protection, to the Milan Area Fire Department of which \$56,952 has been paid and \$32,266 remains payable to the Milan Area Fire Department. The Township plans on paying the remaining balance at a rate of \$4,200 per month in addition to future billings being paid in full.

The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating government in the near future. Complete financial statements for the fire department can be obtained from Milan Township.

Note 13     Fund Balance Deficit

Building Fund	<u>\$3,084</u>
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# MILAN TOWNSHIP

## General Fund

### Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual Year Ended March 31, 2005

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>Revenues</b>				
Taxes:				
Property taxes	\$42,991	\$42,991	\$49,207	\$6,216
Property tax administration fee	15,311	15,311	18,604	3,293
Industrial facilities tax	95	95	54	(41)
Penalties & interest on taxes	0	0	484	484
	<u>58,397</u>	<u>58,397</u>	<u>68,349</u>	<u>9,952</u>
Licenses and Permits:				
Business licenses and permits	0	0	53,837	53,837
State Grants:				
State revenue sharing	114,968	114,968	120,785	5,817
Contributions From Local Units:				
City of Milan	8,000	8,000	8,940	940
Charges for services	0	0	13,021	13,021
Fines and Forfeits:				
Fines	0	0	225	225
Interest:				
Interest	2,029	2,029	3,197	1,168
Other Revenue:				
Other revenue	<u>0</u>	<u>0</u>	<u>266</u>	<u>266</u>
Total Revenues	183,394	183,394	268,620	85,226
<b>Expenditures</b>				
Legislative:				
Township Board	16,856	16,856	41,557	(24,701)
General government:				
Supervisor	11,090	11,090	10,969	121
Elections	4,000	4,000	1,663	2,337
Audit	12,000	12,000	0	12,000
Assessor	17,550	17,550	17,256	294
Legal services	100,000	100,000	31,154	68,846
Clerk	11,769	11,769	12,307	(538)
Board of review	2,950	2,950	1,321	1,629
Treasurer	12,521	12,521	10,519	2,002
Building and grounds	7,478	7,478	3,706	3,772
Cemetery	10,100	10,100	4,508	5,592
Watershed council	<u>320</u>	<u>320</u>	<u>661</u>	<u>(341)</u>
Total General Government	189,778	189,778	94,064	95,714

# MILAN TOWNSHIP

## General Fund Statement of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual Year Ended March 31, 2005

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>Expenditures (Concluded)</b>				
Public Works:				
Road maintenance	\$35,000	\$35,000	\$15,123	\$19,877
Sanitation	3,500	3,500	2,500	1,000
Total Public Works	38,500	38,500	17,623	20,877
Community and Economic Development:				
Planning	36,500	36,500	10,533	25,967
Zoning	1,000	1,000	414	586
Board of appeals	1,950	1,950	46	1,904
Total Community and Economic Development	39,450	39,450	10,993	28,457
Other Functions:				
Insurance and bonds	8,000	8,000	6,843	1,157
Payroll taxes	4,132	4,132	3,302	830
Penalties	0	0	8,416	(8,416)
Total Other Functions	12,132	12,132	18,561	(6,429)
Total Expenditures	296,716	296,716	182,798	113,918
Excess (Deficiency) of Revenues Over Expenditures	(113,322)	(113,322)	85,822	199,144
<b>Other Financing Sources (Uses)</b>				
Operating transfers out	0	0	(1,893)	(1,893)
Total Other Financing Sources (Uses)	0	0	(1,893)	(1,893)
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	(113,322)	(113,322)	83,929	197,251
Fund Balances - Beginning of Year	251,911	251,911	251,911	0
Fund Balances - End of Year	\$138,589	\$138,589	\$335,840	\$197,251

# MILAN TOWNSHIP

## General Fund Detailed Budgetary Comparison Schedule Year Ended March 31, 2005

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>Legislative</b>				
Township Board:				
Salaries	\$6,906	\$6,906	\$5,889	\$1,017
Office supplies	500	500	994	(494)
Contract services	1,000	1,000	27,494	(26,494)
Tax statement preparation	2,000	2,000	0	2,000
Dues and memberships	2,000	2,000	1,981	19
Mileage	200	200	0	200
Printing and publication	750	750	2,582	(1,832)
Miscellaneous	1,000	1,000	1,753	(753)
Education	500	500	864	(364)
Capital Outlay	2,000	2,000	0	2,000
	16,856	16,856	41,557	(24,701)
<b>General Government</b>				
Supervisor:				
Salaries	10,815	10,815	10,816	(1)
Dues	25	25	0	25
Office supplies	0	0	153	(153)
Education	250	250	0	250
	11,090	11,090	10,969	121
Elections:				
Fees & wages	3,000	3,000	1,313	1,687
Office supplies	200	200	56	144
Contract services	75	75	0	75
Mileage	20	20	0	20
Printing and publication	500	500	294	206
Miscellaneous	205	205	0	205
	4,000	4,000	1,663	2,337
Independent Audit:				
Auditing fees	12,000	12,000	0	12,000
Assessor:				
Contracted Services	16,050	16,050	16,050	0
Office supplies	1,000	1,000	786	214
Software	500	500	420	80
	17,550	17,550	17,256	294
Attorney:				
Legal fees	100,000	100,000	31,154	68,846
Clerk:				
Salaries	9,949	9,949	10,910	(961)
Office supplies	500	500	251	249
Dues	70	70	0	70
Education	250	250	0	250
Capital outlay	1,000	1,000	1,146	(146)
	11,769	11,769	12,307	(538)
Board of Review:				
Wages	2,400	2,400	893	1,507
Printing and publications	500	500	428	72
Miscellaneous	50	50	0	50
	2,950	2,950	1,321	1,629

# MILAN TOWNSHIP

## General Fund Detailed Budgetary Comparison Schedule Year Ended March 31, 2005

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
Treasurer:				
Salaries	\$9,781	\$9,781	\$9,976	(\$195)
Office supplies	1,500	1,500	123	1,377
Dues	40	40	0	40
Mileage	100	100	0	100
Miscellaneous	50	50	0	50
Education	350	350	0	350
Equipment	700	700	420	280
	12,521	12,521	10,519	2,002
Building and Grounds:				
Repair and maintenance	2,700	2,700	0	2,700
Contracted services	1,628	1,628	1,535	93
Custodian	450	450	0	450
Telephone	900	900	592	308
Printing and publications	250	250	0	250
Utilities - electric	400	400	702	(302)
Utilities - heat	800	800	837	(37)
Water	300	300	0	300
Miscellaneous	50	50	40	10
	7,478	7,478	3,706	3,772
Cemeteries:				
Snow plowing	2,000	2,000	0	2,000
Contract services	8,000	8,000	4,508	3,492
Community promotion	100	100	0	100
	10,100	10,100	4,508	5,592
Watershed council	320	320	661	(341)
Total General Government	189,778	189,778	94,064	95,714
<b>Public Works</b>				
Road Maintenance:				
Contract services	35,000	35,000	15,123	19,877
Sanitation:				
Trash pick-up	3,500	3,500	2,500	1,000
Total Public Works	38,500	38,500	17,623	20,877

# MILAN TOWNSHIP

## General Fund Detailed Budgetary Comparison Schedule Year Ended March 31, 2005

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>Community and Economic Development</b>				
Planning:				
Salaries per diem	\$8,000	\$8,000	\$3,538	\$4,462
Office supplies	500	500	0	500
Contract services	25,000	25,000	6,317	18,683
Printing and publications	3,000	3,000	566	2,434
Mileage	0	0	112	(112)
	36,500	36,500	10,533	25,967
Zoning Inspector:				
Wages	1,000	1,000	242	758
Office supplies	0	0	172	(172)
	1,000	1,000	414	586
Board of Appeals:				
Salaries per diem	1,000	1,000	0	1,000
Printing and publications	900	900	46	854
Office supplies	50	50	0	50
	1,950	1,950	46	1,904
Total Community and Economic Development	39,450	39,450	10,993	28,457
<b>Other Functions</b>				
Insurance and Bonds:				
Insurance	8,000	8,000	6,843	1,157
Payroll Taxes:				
FICA tax	3,420	3,420	2,676	744
Medicare tax	712	712	626	86
	4,132	4,132	3,302	830
Penalties:				
Prior year payroll taxes and penalties	0	0	8,416	(8,416)
Total Other Functions	12,132	12,132	18,561	(6,429)
Total Expenditures	<u>\$296,716</u>	<u>\$296,716</u>	<u>\$182,798</u>	<u>\$113,918</u>

**MILAN TOWNSHIP**

*Road Improvement Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Year Ended March 31, 2005*

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>Revenues</b>				
Taxes:				
Property taxes	\$34,771	\$34,771	\$39,672	\$4,901
Industrial facilities tax	48	48	28	(20)
	<u>34,819</u>	<u>34,819</u>	<u>39,700</u>	<u>4,881</u>
Interest	<u>795</u>	<u>795</u>	<u>496</u>	<u>(299)</u>
Total Revenues	35,614	35,614	40,196	4,582
<b>Expenditures</b>				
Public Works:				
Construction	<u>0</u>	<u>0</u>	<u>88,613</u>	<u>(88,613)</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>88,613</u>	<u>(88,613)</u>
Excess of Revenues Over Expenditures	35,614	35,614	(48,417)	(84,031)
<b>Other Financing Sources (Uses)</b>				
Transfers in	<u>0</u>	<u>0</u>	<u>1,893</u>	<u>1,893</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>1,893</u>	<u>1,893</u>
Excess of Revenues Over Expenditures and Other Uses	35,614	35,614	(46,524)	(82,138)
Fund Balance - Beginning of Year	<u>93,334</u>	<u>93,334</u>	<u>93,334</u>	<u>0</u>
Fund Balance - End of Year	<u>\$128,948</u>	<u>\$128,948</u>	<u>\$46,810</u>	<u>(\$82,138)</u>

**MILAN TOWNSHIP**

*Bridge Construction Fund*  
*Statement of Revenues, Expenditures, and Changes in Fund Balances*  
*Budget and Actual*  
*Year Ended March 31, 2005*

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>Revenues</b>				
Taxes:				
Property taxes	\$0	\$0	\$0	\$0
Interest	38	38	28	(10)
Total Revenues	38	38	28	(10)
<b>Expenditures</b>				
Public Works:				
Construction	0	0	0	0
Total Expenditures	0	0	0	0
Excess of Revenues Over Expenditures	38	38	28	(10)
Fund Balance - Beginning of Year	7,301	7,301	7,301	0
Fund Balance - End of Year	<u>\$7,339</u>	<u>\$7,339</u>	<u>\$7,329</u>	<u>(\$10)</u>



**MILAN TOWNSHIP**

*Fire and Rescue Fund*  
*Statement of Revenues, Expenditures, and Changes in Fund Balances*  
*Budget and Actual*  
*Year Ended March 31, 2005*

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>Revenues</b>				
Taxes:				
Property taxes	\$57,958	\$57,958	\$66,135	\$8,177
Industrial facilities tax	80	80	47	(33)
	<u>58,038</u>	<u>58,038</u>	<u>66,182</u>	<u>8,144</u>
Interest	<u>126</u>	<u>126</u>	<u>313</u>	<u>187</u>
Total Revenues	58,164	58,164	66,495	8,331
<b>Expenditures</b>				
Public Safety:				
Fire protection	<u>70,000</u>	<u>70,000</u>	<u>89,225</u>	<u>(19,225)</u>
Total Expenditures	<u>70,000</u>	<u>70,000</u>	<u>89,225</u>	<u>(19,225)</u>
Excess of Revenues Over Expenditures	(11,836)	(11,836)	(22,730)	(10,894)
Fund Balance - Beginning of Year	<u>61,247</u>	<u>61,247</u>	<u>61,247</u>	<u>0</u>
Fund Balance - End of Year	<u><u>\$49,411</u></u>	<u><u>\$49,411</u></u>	<u><u>\$38,517</u></u>	<u><u>(\$10,894)</u></u>

**MILAN TOWNSHIP**

*Liquor Law Fund*  
*Statement of Revenues, Expenditures, and Changes in Fund Balances*  
*Budget and Actual*  
*Year Ended March 31, 2005*

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>Revenues</b>				
State Grants:				
License fees	\$689	\$689	\$696	\$7
Total Revenues	689	689	696	7
<b>Expenditures</b>				
Public Safety:				
Inspection fees	660	660	710	(50)
Total Expenditures	660	660	710	(50)
Excess (Deficiency) of Revenues Over Expenditures	29	29	(14)	(43)
Fund Balance - Beginning of Year	333	333	333	0
Fund Balance - End of Year	<u>\$362</u>	<u>\$362</u>	<u>\$319</u>	<u>(\$43)</u>

**MILAN TOWNSHIP**

*Street Lighting Fund*  
*Statement of Revenues, Expenditures, and Changes in Fund Balances*  
*Budget and Actual*  
*Year Ended March 31, 2005*

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
<b>Revenues</b>				
Special Assessments	\$3,714	\$3,714	\$3,707	(\$7)
Total Revenues	3,714	3,714	3,707	(7)
<b>Expenditures</b>				
Public works:				
Streetlight expenses	4,000	4,000	4,351	(351)
Total Expenditures	4,000	4,000	4,351	(351)
Excess (Deficiency) of Revenues Over Expenditures	(286)	(286)	(644)	(358)
Fund Balance - Beginning of Year	5,635	5,635	5,635	0
Fund Balance - End of Year	<u>\$5,349</u>	<u>\$5,349</u>	<u>\$4,991</u>	<u>(\$358)</u>

**MILAN TOWNSHIP**

*Building Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual  
Year Ended March 31, 2005*

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	
<b>Revenues</b>				
Licenses and Permits:				
Building permit fees	\$15,000	\$15,000	\$11,603	(\$3,397)
Interest	0	0	0	0
Total Revenues	15,000	15,000	11,603	(3,397)
<b>Expenditures</b>				
Building Inspector:				
Wages	5,400	5,400	4,937	463
Payroll Taxes	413	413	378	35
	5,813	5,813	5,315	498
Plumbing inspector:				
Wages	1,500	1,500	599	901
Payroll Taxes	115	115	46	69
	1,615	1,615	645	970
Electrical inspector:				
Wages	2,000	2,000	1,600	400
Payroll Taxes	153	153	122	31
	2,153	2,153	1,722	431
Mechanical inspector:				
Wages	1,500	1,500	1,088	412
Payroll Taxes	115	115	83	32
	1,615	1,615	1,171	444
Building Clerk				
Salaries	3,500	3,500	4,026	(526)
Payroll Taxes	268	268	308	(40)
Education	500	500	0	500
Office expense	0	0	50	(50)
Overhead charges	2,800	2,800	925	1,875
	7,068	7,068	5,309	1,759
Total Expenditures	18,264	18,264	14,162	4,102
Excess (Deficiency) of Revenues Over Expenditures	(3,264)	(3,264)	(2,559)	705
Fund Balance - Beginning of Year	(525)	(525)	(525)	0
Fund Balance - End of Year	(\$3,789)	(\$3,789)	(\$3,084)	\$705

# MILAN TOWNSHIP

*Agency Funds*  
*Combining Statement of Changes in Assets and Liabilities*  
*March 31, 2005*

## CURRENT TAX COLLECTION FUND

	Beginning Balance	Additions	Deductions	Ending Balance
<b>Assets</b>				
Cash in bank	\$2,517	\$1,740,134	\$1,741,420	\$1,231
Total Assets	<u>\$2,517</u>	<u>\$1,740,134</u>	<u>\$1,741,420</u>	<u>\$1,231</u>
<b>Liabilities</b>				
Due to other governments	\$2,517	\$1,740,134	\$1,741,420	\$1,231
Total Liabilities	<u>\$2,517</u>	<u>\$1,740,134</u>	<u>\$1,741,420</u>	<u>\$1,231</u>

## TRUST AND AGENCY FUND

<b>Assets</b>				
Cash in bank	\$408	\$6,715	\$7,123	\$0
Total Assets	<u>\$408</u>	<u>\$6,715</u>	<u>\$7,123</u>	<u>\$0</u>
<b>Liabilities</b>				
Due to other governments	\$408	\$6,715	\$7,123	\$0
Total Liabilities	<u>\$408</u>	<u>\$6,715</u>	<u>\$7,123</u>	<u>\$0</u>

## CROSSWINDS ESCROW FUND

<b>Assets</b>				
Cash in bank	\$0	\$50,047	\$50,047	\$0
Total Assets	<u>\$0</u>	<u>\$50,047</u>	<u>\$50,047</u>	<u>\$0</u>
<b>Liabilities</b>				
Due to others	\$0	\$50,047	\$50,047	\$0
Total Liabilities	<u>\$0</u>	<u>\$50,047</u>	<u>\$50,047</u>	<u>\$0</u>

TOTAL AGENCY FUNDS				
<b>Assets</b>				
Cash in bank	<u>\$2,925</u>	<u>\$1,796,896</u>	<u>\$1,798,590</u>	<u>\$1,231</u>
Total Assets	<u><u>\$2,925</u></u>	<u><u>\$1,796,896</u></u>	<u><u>\$1,798,590</u></u>	<u><u>\$1,231</u></u>
<b>Liabilities</b>				
Due to other governments	2,925	1,746,849	1,748,543	1,231
Due to others	<u>0</u>	<u>50,047</u>	<u>50,047</u>	<u>0</u>
Total Liabilities	<u><u>\$2,925</u></u>	<u><u>\$1,796,896</u></u>	<u><u>\$1,798,590</u></u>	<u><u>\$1,231</u></u>



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Township Board  
Milan Township  
16444 Cone Road  
Milan, Michigan 48160

## Report of Comments and Recommendations

### Board Members:

Our audit of the financial statements of Milan Township for the year ended March 31, 2005 was made in accordance with auditing standards generally accepted in the United States of America. These standards require, in addition to obtaining competent evidential matter through inspection, observation, inquiry, and confirmation, that we determine that existing internal controls, accounting procedures, and accounting records are adequate to allow us to express an opinion on the financial statements of the Township. During the course of our audit, we noted certain practices and procedures which we believe could be added or changed to improve existing internal controls, accounting procedures and records, and other matters.

We remind you that the following comments and where appropriate, recommendations are somewhat limited because they are not the result of a detailed system analysis.

#### New Financial Statement Format (GASB 34)

As you are aware, Governmental Accounting Standards Board (GASB) Statement No. 34 was implemented for the Township for the year ended March 31, 2005. GASB 34 has dramatically changed the look and feel of the financial statements. While the financial statements retain an element of familiarity with the continued reporting of fund based information, there are several additions and changes that provide information never before presented in the Township's annual financial report. A brief summary of the changes are as follows:

- ▶ Management Discussion and Analysis (MD&A): The MD&A provides a high-level overview of the Township's financial position and results of operations, with a focus on the government-wide financial statements.
- ▶ Government-Wide Financial Statements: These additional statements adjust the normal fund-based statements into a combined, full accrual format (similar to for-profit commercial enterprises). This allows the financial statement reader to see the Township from a longer term economic perspective (i.e., are today's taxpayers paying for today's services?). These statements show capital assets as part of the Township's overall financial picture.
- ▶ Budget Comparison: A financial statement reader will now be able to view actual revenues and expenditures as compared to the current budget, and also compared to the original budget.

Improper and Illegal actions

Nothing came to our attention during the course of our audit to indicate any improper or illegal actions.

Interfund Receivable and Payable Balances

Balances as of March 31, 2005 were:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund:		
Road Improvement Fund	\$14,006	
Fire and Rescue Fund	9,702	
Road Improvement Fund:		
General Fund		\$14,006
Fire and Rescue Fund		
General Fund	_____	<u>9,702</u>
	<u>\$23,708</u>	<u>\$23,708</u>

Uniform Chart of Accounts

In 1984 the State of Michigan Department of Treasury issued the Uniform Chart of Accounts for Counties and Local Units of Government in Michigan. The adoption of the Uniform Chart of Accounts is mandatory.

The Township has not adopted the Uniform Chart of Accounts and does not maintain a general ledger for all of its funds.

We recommend that the Township adopt the Uniform Chart of Accounts for all funds as follows:

Fund 101 General Fund  
Fund 204 Road Improvement Fund  
Fund 206 Fire Fund  
Fund 212 Liquor Law Enforcement Fund  
Fund 219 Street Lighting Fund  
Fund 249 Building Inspection Department Fund  
Fund 245 Bridge Improvement Fund  
Fund 401 Capital Projects Fund  
Fund 701 Agency Fund  
Fund 703 Current Tax Collection Fund

Proper use of the Uniform Chart of Accounts will result in providing a general ledger for each of the Township's funds.



### Annual Budgets

The budgeting requirements for local units of governments in Michigan are contained in Public Act 2 of 1968, as amended, through Public Act 493 of 2000 ( MCL 141.421, et al).

During the audit we noted several deficiencies in the Township's budgeting process. Following are deficiencies that we noted and our recommendations for compliance with the Budget Act.

- 1) The Budget Act states that legislative body of each local unit must pass a general appropriations act (budget) for the general fund and each special revenue fund.

The Township adopted an expenditure budget where all activity was budgeted in one fund. However, the revenues were budgeted in the appropriate fund. Therefore, it was impossible to know if budgeted expenditures exceeded budgeted revenues.

We recommend that the Township adopt separate budgets of revenues and expenditures for the general fund and each special revenue fund.

- 2) The Budget Act states that each budget must include the following items:

- Estimated revenues for the next fiscal year
- Estimated expenditures for the next fiscal year
- Estimated beginning fund balance for the next fiscal year
- Estimated ending fund balance for the next fiscal year

The Township did not include the estimated beginning and ending fund balances in its budget. By ignoring the beginning fund balances, the Township did not budget to cover the beginning fund balance deficit in the Building Fund.

We recommend that the Township include the estimated beginning and ending fund balances in its budget and that the Township also review the Budget Act to insure compliance with it's provisions.

- 3) The Budget Act requires that the budget must be amended as soon as it is apparent that expenditures will exceed appropriations. The amendment must occur before expenditures exceed the budget at the activity level.

The Township did not amend the budget during the year, although there were several instances of expenditures exceeding appropriations.

We recommend that the Township institute a policy of amending the budget before expenditures exceed budget.

#### Deficit Fund Balance

As of March 31, 2005, a deficit in the unreserved fund balance existed in the Building Fund (special revenue fund) of \$3,084. The State of Michigan requires that municipalities with deficit fund balances submit a plan to eliminate these deficit fund balances.

We recommend that the Township file a Deficit Elimination Plan as required by the Michigan Department of Treasury.

We also recommend that the Township review its fund balances prior to the end of its fiscal year and take corrective action to prevent fund balance deficits in the future.

#### Financial Reports

The Michigan Department of Treasury requires that several financial reports be provided to the Township board on a monthly basis by the treasurer and the clerk.

The following financial reports are not being provided to the board:

- Balance sheet by fund
- Detail revenue by fund - budget to actual
- Detail expenditures by fund - budget to actual

We recommend that the above mentioned financial reports be provided to the board on a monthly basis. It is almost impossible to properly manage the Township's finances without these reports.

#### New Accounting Software

It is our understanding that the Township has new software from BS & A. However, the new Township clerk has not yet implemented this software due to time constraints and the availability of training. This financial accounting and reporting software is specially designed for local governmental units. Its chart of accounts can be easily changed for compliance with the State's Uniform Chart of Accounts. In addition once fully implemented the Township board could start receiving complete sets of financial statements, budget and actual, each month.

We recommend that the Township implement the new software.

#### Payroll Taxes

Because of deficient internal controls and the lack of proper oversight, the prior Township clerk failed to make the required timely payroll tax payments. As of the date of this letter the Township is still receiving tax and penalty notices for prior years from the Internal Revenue Service. Unfortunately because of the lack of proper record keeping we were unable to locate any payroll tax deposits, as referenced by the Internal Revenue Service correspondence, for any of the prior periods.

We recommend that whenever possible the payroll reporting forms, tax deposits, and Internal Revenue correspondence should be retained at the Township hall. If it is not practical, we recommend that copies be made and retained at the Township hall.

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#### Bank Accounts

The Treasurer maintains several bank accounts for the General Fund, and the Road Improvements Fund. Having several bank accounts in each fund makes record keeping tedious and subject to errors.

We recommend that the Township reduce the number of bank accounts in these funds to no more than two in the General Fund and one in the Road Improvements Fund.

We also recommend that a separate file folder should separate each funds bank account with a label that indicates the corresponding fund and account number (as recommended by the State's Uniform Chart of Accounts).

#### Bank Reconciliations

During our audit we noted that some of the reconciled check registers kept by the treasurer did not match the Quick books reports due to various reconciling items.

We recommend that monthly bank reconciliations should be prepared by the clerk and reconciled to the bank balances per General Ledger (QuickBooks reports) and the treasurer's check registers.

#### Individual Fund Expenditures

Currently most of the funds are reimbursing the General Fund from their bank accounts for expenditures that belong to their fund. This creates more work for the Township than is really necessary and requires the Township to make sure that the General Fund is reimbursed for the individual fund expenses.

We recommend the Township pay the invoices directly out of the appropriate fund's bank account .

#### Remittance Advices

We were unable to locate many remittance advices with the Township's receipts to verify documentation for cash receipts.

We recommend that remittance advices be stapled to either the pink or yellow copy of the Township's receipt, and filed by the appropriate fund.

#### Receipts

For the period of the audit, we noticed the following weakness in the Township's internal control over cash receipts:

- The Township does not provide the method of payment or account classification on its receipts.
- Not all checks received are restrictively endorsed immediately upon receipt.
- The Township Treasurer is the only person receiving, recording, and reconciling all monies received by the Township.

We recommend the following:

- Official receipts should be issued for all cash receipts.
- Numerically controlled three-part official receipts with the name of Milan Township printed on them should be used.
- “Cash” or “check” as method of payment should be indicated on the receipt.
- The receipt should identify the individual receiving payment.
- The receipt should have the revenue account classification on it.
- Checks should be restrictively endorsed.
- A monthly procedure for reconciling the month’s collections should be performed by an individual not involved in the receipting process. These procedures should include comparing receipts written for the month with the receipts register and with the bank deposits that appeared on the bank statements for the month.

#### Worker’s Compensation

We were unable to verify the Townships coverage for risks of liability related to claims for worker’s compensation.

We recommend the Township review its liability coverage related to worker’s compensation with the it’s insurance agent.

#### Transfers

\_\_\_\_\_ We recommend that all transfers, including budgeted transfers, be approved in the minutes.

#### Township Minute Book

The Township Clerk maintains the Township’s minute book to record minutes of the Township Board meetings.

We recommend that the minutes and the minute book be expanded to include the following:

- Approval of the budget
- Approval of budget amendments
- Approval of millage rates
- Annual approval of banks to be used
- Annual approval of bank account authorized signers
- Annual approval of pay rates
- Approval of transfers between funds
- Approval of opening and closing bank accounts
- Inclusion of the approved budget

Township Minute Book (Concluded)

- Inclusion of the list of invoices approved for payment
- Inclusion of approved contracts
- Inclusion of important correspondence
- Inclusion of Board resolutions

The minute book is the primary source of official Township information.

Accounting Policies and Procedures Manual

Because of the nature of the Township's finances, and to assist in improving internal control, we recommend the development of an accounting policies and procedures manual. This manual would define the procedures and documentation required for various financial transactions such as:

- ▶ Cash receipts
- ▶ Cash disbursements
- ▶ Special assessments
- ▶ Bank account reconciliations
- ▶ Payroll
- ▶ Building permits

In addition to strengthening internal controls, such a manual would provide for continuity as new staff is hired, and new board members are elected.

We recommend that you obtain copies of the following manuals, issued by the Michigan Department of Treasury, that you can use for reference.

- Uniform Accounting Procedures Manual
- Uniform Chart of Accounts for Counties and Local Units of Government
- Uniform Budget Manual

It has been a pleasure to serve you and we appreciate the cooperation we received during the audit. We are available to meet with you at any time to answer any questions concerning this letter or the 2004-2005 audit report.

Very truly yours,

*Cooley Hill*  
*W. H. Gammuth & Carlton*

November 17, 2005